

Soitec

Price EUR0.49

Audited FY16 results contain no material surprise; FQ1-17 guidance confirmed

Fair Value EUR0.45 (-8%)

NEUTRAL

Bloomberg	SOI FP
Reuters	SOIT.PA
12-month High / Low (EUR)	0.6 / 0.4
Market Cap (EURm)	297
Ev (BG Estimates) (EURm)	474
Avg. 6m daily volume (000)	1,058
3y EPS CAGR	

Today, Soitec reports audited FY16 results in line with previously reported expected FY16 results. Note that, in the context of the latest capital increases, Soitec already reported FY16 data. For FY16, sales were up to EUR237.5m (+6.5%; +17% at constant exchange rates), current operating income improved significantly from -EUR126m in FY15 to EUR22.4m in FY16 (vs. EUR10m previously announced as an estimate by Soitec) and net result remains in negative territory, but losses have been reduced from EUR259m to EUR72m or EUR0.30 per share.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.2%	-1.2%	-7.2%	-23.4%
Semiconductors	3.1%	-4.5%	-4.1%	-7.2%
DJ Stoxx 600	-4.2%	-7.0%	-8.3%	-12.4%

ANALYSIS

YEnd Mar. (EURm)	03/15	03/16e	03/17e	03/18e
Sales	222.9	237.5	252.8	270.6
% change		6.5%	6.4%	7.1%
EBITDA	-67.9	45.7	38.7	42.7
EBIT	-125.9	12.0	10.9	13.6
% change		NS	-9.2%	24.5%
Net income	-107.8	-16.0	4.3	6.6
% change		85.1%	NS	51.5%

	03/15	03/16e	03/17e	03/18e
Operating margin	NM	5.1	4.3	5.0
Net margin	NM	NM	1.5	2.4
ROE	-516.1	334.1	3.2	4.6
ROCE	-63.0	7.8	6.4	9.3
Gearing	300.4	NM	NM	3.7

(EUR)	03/15	03/16e	03/17e	03/18e
EPS	-0.51	-0.07	0.01	0.01
% change	-	86.9%	NS	4.9%
P/E	NS	NS	47.6x	45.4x
FCF yield (%)	NM	NM	NM	14.1%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	2.0x	2.0x	1.3x	1.1x
EV/EBITDA	NS	10.4x	8.6x	7.1x
EV/EBIT	NS	39.5x	30.4x	22.3x

- **The group confirms previously announced FY16 results.** Indeed, in the context of the capital increases made in May, Soitec reported estimates of FY16 results. Over FY16 (FYE 31/03), the group generated revenue of EUR237.5m, up +6.5% from EUR223m in FY15 or up +17% at constant exchange rates. Gross margin jumps from negative in FY15 to positive at 26.7%. Current operating income improved significantly from -EUR126m in FY15 to EUR22.4m in FY16 and net result remains in negative territory, but losses have been reduced from EUR259m to EUR72m or EUR0.30 per share. This performance is due to strong momentum on 200mm products (about 72% of total sales) which drive higher margin (we estimate GM of 200mm products >30%). We note that, compared to the previously announced unaudited results, there is only a difference in current operating result (EUR22.4m vs. EUR10m previously announced) – no change in net result.
- **A positive operating cash flow generation offset by negative cash flow due to the wind-down of Solar activities.** For FY16, Soitec generated a negative operating cash flow of EUR12.5m of which positive EUR20.4m have been generated through the Electronic activities, but the wind-down of the Solar activities generated a negative cash flow of EUR32.9m.
- **Hopefully, the two capital increases helped to improve the financial structure.** By the end of March 2016, the group had a gross cash position of EUR49.1m and a gross debt position of EUR218.9m. As a result, by the end of FY16, the group had a net debt of EUR170m. However, note that during the current quarter, the group raised an overall amount of EUR151.9m through two successive capital increases.
- **FQ1-17 guidance has also been confirmed:** Soitec expects to see a flat growth (yoy) also implying a 15% sequential decline. Again, this is not a surprise in the guidance since FD-SOI sales are not expected to be significant in H1-17. For FY17, we expect a similar increase in sales to that of FY16, i.e. 6.4% growth. We see limited potential growth on 200mm wafers (BG ests. EUR176m; +3.3% yoy) since the Bernin 1 fab has been running at full capacity for several quarters and the group has little room to expand the production. However, we expect 300mm wafers revenue to grow with first material orders of FD-SOI products in H2-17. Including royalties, this should add another 3.6ppts to Electronics sales foreseen at EUR248m. In addition, the group expects to achieve a similar EBITDA margin for FY17 than the level achieved in FY16.



VALUATION

- Soitec shares are trading on FY17e EV/Sales of 1.4x and FY17e EV/EBIT of 32.1x.

NEXT CATALYSTS

- 20 July 2016: Q1-17 sales

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NEUTRAL ratings 0%

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